

Message Text

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16

ACTION EB-11

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TO SECSTATE WASHDC 6711

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

MUSMISSION EC BRUSSELS 69

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 1743

E. O. 11652 GDS

TAGS: ENRG

SUBJECT: LIBYAN OIL NEGOTIATION

: STATE 97463

SUMMARY: FOREMOST GOK DESIRE IS FOR STABILITY IN INTER-
NATIONAL PETROLEUM ARENA. LIKELY THEREFORE THAT GOK
SOMEWHAT CONCERNED OVER POSSIBILITY THAT LIBYAN NEGOTIA-
TIONS, IF SUCCESSFUL MIGHT CAUSE NATIONAL ASSEMBLY TO REJECT
PARTICIPATION AGREEMENT WHICH NOT YET RATIFIED.
ON THE OTHER HAND KUWAITS WILL WANT TO HAVE AS GOOD
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A DEAL AS THEIR GULF NEIGHBORS SO THAT KEY FACTOR IS WHETHER SAUDI ARABIA OR IRAN TRIES TO RENEGOTIATE RECENT AGREEMENTS SO THAT THEY CAN MATCH WHATEVER LIBYA GETS. IF SO GOK WILL FOLLOW THEIR LEAD. ALTHOUGH GOK MAY BE WILLING TRY DISSUADE LARG FROM PRECIPITATE ACTION BELIEVE THIS WOULD BE DONE ONLY IN CONCERT WITH OTHER GULF STATES PARTICULARLY SAUDI ARABIA
END SUMMARY.

1. IN GENERAL FOREMOST CONCERN OF GOK IN INTERNATIONAL PETROLEUM MATTERS IS THAT THERE EXIST STABILITY CONSISTENT WITH GOK RECEIVING ADEQUATE COMPENSATION. THUS GOK WILL NEGOTIATE HARD FOR WHAT IT CONSIDERS APPROPRIATE RETURN. THIS WAS DONE IN CONNECTION WITH PARTICIPATION NEGOTIATIONS AND IS CURRENTLY BEING DONE IN CONNECTION WITH OPEC DOLLAR DEVALUATION NEGOTIATIONS WHERE MINISTER FINANCE AND OIL ATIQI IS ONE OF THREE OPEC NEGOTIATORS. GOK PREFERENCE HOWEVER IS TO OBSERVE LEGAL PROCESSES AND TO AVOID EXTREME POSITIONS.

2. THEREFORE GOK WILL BE CONCERNED WITH ANY POTENTIALLY DESTABILIZING ASPECTS OF LIBYAN NEGOTIATION SPECIFICALLY IF LARG SUCCEEDS IN GAINING MARKEDLY BETTER TERMS THAN GOK AND OTHERS ACHIEVED THROUGH PARTICIPATION NEGOTIATIONS KUWAIT NATIONAL ASSEMBLY WHICH HAS NOT YET RATIFIED GOK- KUWAIT OIL COMPANY AGREEMENT MAY REJECT ACCORD IN FAVOR OF LIBYAN APPROACH. THIS WOULD BE SET BACK FOR GOK.

3. SIMILARLY IF GULF PRODUCERS PARTICULARLY SAUDI ARABIA OR POSSIBLY IRAN WERE TO REOPEN NEGOTIATIONS WITH PRODUCING COMPANIES LOOKING TOWARD LIBYAN EQUIVALENT PACKAGE, GOK WOULD WANT TO DO SAME KEY IF GOK IS TO BE ABLE TO HAVE AS GOOD A DEAL AS GULF RPT GULF PRODUCERS. IN THAT CONNECTION WE HAVE BEEN TOLD GOK CAN LIVE WITH IRANIAN AGREEMENT BECAUSE IT IS AFTER ALL ESSENTIALLY EQUIVALENT TO PARTICIPATION. ON OTHER HAND WE WERE TOLD THAT LIBYAN OR NIGERIAN NEGOTIATIONS EMERGED FROM RATHER CONFIDENTIAL

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DIFFERENCE BASIC HISTORICAL CONTEXTS AS FAR AS THEIR CONCESSION ARE CONCERNED, AND THEREFORE DID NOT CAUSE AS MUCH TROUBLE FOR GOK AS AGREEMENTS REACHED BY GULF NEIGHBORS.

4. GOK WILL THEREFORE BE LOOKING CLOSELY AT REACTIONS OF SAUDI ARABIA PRIMARILY AND AT IRAN AND IRAQ (RE

BASRA PETROLEUM COMPANY PARTICIPATION NEGOTIATIONS)
IF KUWAITS GULF NEIGHBORS USE LIBYAN SITUATIONTO
SEEK IMPROVED TERMS FROM OIL COMPANIES GOK PROBABLY
WILL ALSO. IF SAUDI ARABIA AND IRAN ARE WILLING
COUNSEL CAUTION TO LIBYANS GOK MAY BE WILLING JOIN.
ALTHOUGH IT WOULD PREFER NOT TO BE INVOLVED.
ASSUMING YAMANI AGREED ATIQI MAY BE PERSUADED JOIN
HIM IN ADVISING LARG TO EXERCISE CAUTION WHEN HE
NEXT MEETS WITH LARG REPS AT OPEC MEETING. DOUBT
HOWEVER THAT HE WOULD ACT ALONE OR WOULD BE WILLING
PRESS POINT VERY HARD.
STOLTZFUS

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